

Capital Planning Committee Meeting Minutes October 4, 2018

In attendance:	Stephen Andrew Ida Cody Charlie Foskett Chris Moore Sandy Pooler Brian Rehrig Barbara Thornton Timur Yontar
Not in attendance:	Joseph Barr Phyllis Marshall-Hartman Amy Fidalgo, Management Analyst

Meeting Opened: Charlie Foskett called the meeting to order at 5:10pm. The minutes of the meeting of September 20, 2018 was amended and unanimously approved.

Capital Cash Balances: Ida Cody presented. The report can be sorted by department using MUNIS and used by the subcommittees for meetings with department representatives. As presented, it groups data by year and category. Members requested that she pull reports for each department by subcommittee assignment and email to them, with Amy Fidalgo's assistance.

Subcommittee Reports: None formally. Brian Rehrig noted that his subcommittee (with John Danizio and Timur Yontar) met with Fire and Police. The radio system upgrade is expected to cost ~\$400k more than previously budgeted. Ida Cody inquired whether there was a grant that they could apply for. Steve Andrew questioned whether Arlington could coordinate with other municipal police departments to try to obtain a group discount, but others noted that they are unlikely to all be on the same replacement schedules.

Software Subcommittee: No meeting has been scheduled yet.

Major Construction Projects: No updates since the prior meeting.

New 5-Year Plan: The Long-Term Planning Committee met and issued a new 5-year plan. CPC takes these numbers, makes some adjustments, and then uses a 5-year budget of non-exempt spending to create the 5% capital budget. Sandy Pooler presented highlights.

The main driver of budget growth is the increase in school enrollment numbers (using APS's internal estimates) times a per-pupil cost figure from the state DESE (only a 35% increment is used to capture the variable cost of the marginal student), which grows at a forecasted COLA rate of 3.5%. As an aside, Sandy mentioned that of school districts with >1000 students, Arlington's 10-year growth rate has been 2nd or 3rd highest in the state. Note that some of the School Committee are arguing that the education budget needs to grow faster than the modeled rate in order to enhance the quality of the Town's educational offering, which they claim suffers from being underfunded.

The 5-year plan's free cash figures have been updated; they are still awaiting new real estate data (which drives the property tax revenue figures). Increased school enrollment also drives increased health insurance costs for new teachers.

The budget is balanced until FY22 when the Stabilization Fund runs out and the structural deficit reappears, a result of spending growth exceeding the ordinarily permissible increases in property tax revenue plus new growth. Hence there is the need for an operating override to go above the ordinarily permissible increases in property taxes. Current discussion is: how much, when, and how long will it last? The previous override in 2011 was promised to last 3 years but has lasted to the present day and still has a few years left, but this is to a large extent due to the one-time windfall of the Town opting into the state's Group Insurance Commission which drove down the cost of health insurance. Note that if an operating override is put to the voters and approved this spring the Town can continue to contribute to the Stabilization Fund before it runs out. Barbara Thornton asked whether future "upzoning" of Mass Ave might accelerate new growth and hence tax revenue. Sandy Pooler replied that he has that as a variable in the model, but that the timing of such future growth would be unlikely to occur soon enough to impact the longevity of the upcoming override.

The timing of the Debt Exclusion vote for the Arlington High School rebuild is also a consideration. The plan for AHS will be submitted to MSBA in February; if it is (likely) approved in April, then Town Meeting would vote to approve bonding in late April / early May; then the Debt Exclusion would be put to voters in June (the vote must take place within 120 days of MSBA approval).

Charlie Foskett noted that the exhaustion of the Stabilization Fund leaves the 5-year plan with a huge drop in the middle and that this in turn should affect the Capital Budget if we conservatively assume that it won't be filled and the Town's budget could suffer cuts. Timur Yontar said this implied that, although our Capital Budget last year hit 5% in every period including the out-years, if we are conservative, the CPC will have to make some difficult choices even in the absence of incremental asks by the Town's departments. Other committee members asked conversely that if we expect that Operating Overrides may happen every 3 years going forward (in which case they become routine and the amount of increase each time is not so large) then should we build that into the 5-year plan and the Capital Budget?

Brian Rehrig mentioned that the \$308m pricetag for AHS is giving many sticker shock, and to bring that number down some Town functions currently co-located in AHS may move, but that merely takes the cost out of the AHS price rather than eliminating the cost, e.g. a department relocating to another building could incur a capital cost for purchase and refit of that building, so they may appear in our budget; to be conservative we may need to build in placeholders.

Disabled American Veterans Building: A purchase and sale agreement is in place. Closing is conditional on the buyer obtaining a variance. A question was raised whether, if it does not close, the capital budget for Stratton is OK. Stratton would be fine since its renovation came in under budget, but the surplus funds were repurposed for Gibbs and Hardy, so we would need to check that their capital budgets are OK.

Meeting Adjourned: The meeting was unanimously adjourned at 6:30pm.